

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 136598

FOR THE HONORABLE ARTHUR F.BURNS, CHAIRMAN FEDERAL RESERVE
BOARD

E.O. 11652: N/A

SENATOR PROXMIRE HAS SCHEDULED A NEW HEARING FOR MR. JACKSON
ON FRIDAY, JUNE 20.

THE EXECUTIVE COMMITTEE OF THE ECONOMIC POLICY BOARD HAS
SCHEDULED A SPECIAL SESSION ON TAX REFORM TO BE HELD ON SATURDAY,
JUNE 14, AT 10 A.M. THE DISCUSSION WILL FOCUS ON SPECIFIC
ELEMENTS IN AMEMORANDUM DEALING WITH THE OUTLOOK AND OPTIONS FOR
TAX REFORM. IN AN EDITORIAL TODAY, THE WALL STREET JOURNAL BELITTLES
REPORTS BY A CONGRESSIONAL SUBCOMMITTEE OF A SECRET IRS UNIT.
THE ARTICLE SAYS THAT "ALL THIS IS WORTH KNOWING, BUT JUST
BARELY." IT ALSO STATES THAT BOTH YOU AND THE CONGRESS HAVE
MORE IMPORTANT THINGS TO DO "THAN WHO SAID WHAT TO WHOM WHILE
THE CAMPUSES WERE BURNING IN 1969."

STERLING CAME UNDER CONSIDERABLE SELLING PRESSURE LATE YESTERDAY
AND THIS CONTINUED TODAY; OVER THE PAST TWO DAYS STERLING HAS
DECLINED BY 1-1/2 PER CENT AGAINST THE DOLLAR AND BY EVEN MORE
AGAINST CONTINENTAL CURRENCIES. MARKET TALK IS THAT THERE WAS A
VERY LARGE OFFER OF STERLING AGAINST MARKS BY A MIDDLE EAST PARTY.
THE BANK OF ENGLAND ALLOWED EXCHANGE RATES TO TAKE MOST OF THE
PRESSURE AND INTERVENED ONLY IN MODEST AMOUNTS. THE SYSTEM
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SOLD MARKS TODAY TO MODERATE A DECLINE IN THANDOLLAR AGAINST THE

MARK AND OTHER CONTINENTAL CURRENCIES. ON A WEIGHTED AVERAGE BASIS, THE DOLLAR IS DOWN ABOUT ONE-TENTH OF ONE PER CENT OVER THE LAST TWO DAYS. THE PRICE OF GOLD HAS FALLEN SLIGHTLY OVER THE LAST TWO DAYS TO A LEVEL OF DOLS 164.75.

DOMESTIC BOND MARKETS CONTINUED TO DISPLAY A FIRM TONE DESPITE A SIZABLE CALENDAR OF NEW CORPORATES AND MUNICIPALS. TREASURY BILL RATES DECLINED FURTHER, WITH THE 3-MONTH BILL OFF 13 BASIS MPOINTS TO 4.95 PER CENT. FEDERAL FUNDS TRADED AT AN EFFECTIVE RATE OF JUST OVER 5 PER CENT AS THE DESK ABSORBED NEARLY DOLS 1.5 BILLION OF RESERVEU THROUGH MATCHED SALE-PURCHASE TRANSACTIONS. STOCK PRICES ROSE SOMEWHAT IN MODERATELY ACTIVE TRADING. THE DOW JONES INDUSTRIALS WERE UP 2.43 TO ABOUT 825. DATA AVAILABLE AT THE MOMENT INDICATE A BIT MORE STRENGTH IN THE MONETARY AGGREGATES FOR THE WEEK OF JUNE 6. KISSINGER

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